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ABSTRACT

This document reports on a congressional hearing on increasing the minimum wage. It presents both the administration's and the House of Representatives' positions on this issue. Testimony includes statements and prepared statements of the Secretary of Labor and a representative of the Coalition of Automotive Associations. Committee member comments are also included. (YLB)

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HEARING ON THE MINIMUM WAGE

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HEARING

BEFORE THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, DC, MARCH 14, 1989

Serial No. 101-8

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MINIMUM WAGE HEARING

TUESDAY, MARCH 14, 1989

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EDUCATION AND LABOR,
Washington, DC.

The committee met, pursuant to notice, at 9:30 a.m., in Room 2175, Rayburn House Office Building, Hon. Augustus F. Hawkins [Chairman] presiding.

Members present: Representatives Hawkins, Ford of Michigan, Clay, Miller of California, Murphy, Kildee, Williams, Martinez, Owens of New York, Hayes of Illinois, Perkins, Sawyer, Payne of New Jersey, Lowey of New York, Poshard, Unsoeld, Rahall, Fuster, Jontz, Mfume, Goodling, Coleman, Petri, Roukema, Gunderson, Bartlett, Tauke, Armey, Fawell, Henry, Grandy, Ballenger, and Smith of Vermont.

Staff present: Susan G. McGuire, staff director; Edmund D. Cooke, Jr., counsel; Adrienne Fields, legislative analyst; Dorothy L. Strunk, minority labor coordinator; and Nancy Sensenbrenner, minority professional staff member.

Chairman HAWKINS. This morning we have the pleasure of welcoming for the first time the Honorable Elizabeth Hanford Dole, the Secretary of Labor, who will present the administration's minimum wage proposal.

Before we begin, I would like to make a very brief statement. We meet today on a matter of basic human dignity and fundamental economic justice. If a person is hungry, he or she should be able to earn enough to purchase a decent meal.

If a person is homeless, his or her earnings should be sufficient to secure adequate shelter. Until now, parents and grandparents who worked their fingers to the bone so their children could escape ghettos, barrios and rule of poverty, lived to see their offspring enjoying a better living standard than they had.

Now, in the 1980s, for the first time in our history, a generation of Americans is rapidly becoming worse off than that of their parents or grandparents. There are many reasons for this erosion of our way of life, but none, absolutely none, is more vicious or more unfair than the chipping away of the value of the minimum wage.

The time is long overdue for the restoration of the purchasing power of the minimum wage. Later this morning, we intend to mark up H.R. 2, a bill which provides for a substantial restoration of the value of the minimum wage.

Administration support for this modest proposal would be a true indication of the President's desire for a kinder, gentler nation.

(1)

At this time, for the purpose of expressing his views as well as to introduce our distinguished witness this morning, I yield to the ranking minority member Mr. Goodling.

Mr. GOODLING. I thank you, Mr. Chairman, for permitting me to introduce to the Education and Labor Committee our new Secretary of Labor Elizabeth Dole. I don't have to mention Secretary Dole's qualifications or her knowledge of the Hill and its workings.

My colleagues, I am sure, would join with me in agreeing that we consider ourselves very fortunate indeed to have such an able secretary. Your appearance before us this morning, I believe, typifies your dealing with the Hill.

I see your appearance here as an outstretched hand by the administration. Your bringing us a minimum wage compromise; the previous administration was unwilling to compromise on the issue.

I'd also like to thank Chairman Hawkins for rearranging the committee's schedule today so that we can receive your testimony. I'm sorry that my colleagues won't have enough time to truly digest what it is you have to say. It may make a difference when it comes time to vote.

In closing, let me welcome you here today and say that I look forward to working with you on numerous labor issues that will be before this committee. Secretary Dole.

Chairman HAWKINS. Madam Secretary, we obviously are delighted to agree with the comments of my distinguished colleague. He and I were in Pennsylvania yesterday and having a very enjoyable day but a very informational and educational day.

I now understand what really prompts his great expertise and his dedication to the subject. I think his views expressed this morning on your behalf are certainly joined in by all of us. You may proceed.

Your written statement in its entirety will be inserted into the record as submitted. We hope that we may have an opportunity to direct a few questions to you at the conclusion of your statement. Thank you very much.

STATEMENT OF HON. ELIZABETH HANFORD DOLE, SECRETARY OF LABOR

Secretary DOLE. Thank you very much, Mr. Chairman and Congressman Goodling, members of the committee. I appreciate very much this opportunity to discuss increasing the minimum wage and to offer the administration's thoughts and position on proposals to do so.

Mr. Chairman, I know we all agree that many of the most important issues facing us in America over the next decade are to come before this committee. We agree further, I think, that none is more important than this: how can we best provide the levels of literacy and basic skills, improved education and training needed to prepared American workers for the jobs that await them.

So, on the proposal before us, let me be clear on the President's position at the outset. First, increasing the minimum wage simply means a certain loss of jobs and job opportunities. The larger the increase, the larger the job loss. Second, any increase must be modest. Third, it must be accompanied by a provision for a mean-

ingful training wage for new hires which would offset the disemployment effect, especially for younger workers.

I want to be clear as well about one more thing as this discussion begins. Its our belief that improvements in training and education are the far more urgent challenges in employment policy today.

In short, it's our belief that the skills gap is the real problem. So, it's our desire to resolve this debate about the minimum wage quickly and move on just as quickly to the pressing challenge of improving skills.

I know you, Mr. Chairman, and your colleagues on this committee agree on the importance of education and training. I hope we can agree on the importance of turning our attention to it while this 101st Congress is still young.

We will soon have the report and recommendations of the JTPA Advisory Committee, which has been examining among other issues the way we target and deliver training to the economically disadvantaged.

In fact, that report, Mr. Chairman, is going to be delivered to me this afternoon by the Advisory Committee. We will have an opportunity then to be discussing recommendations with you in the very near future.

We have an opportunity in this year, in addition, to look at vocational education re-authorization and implementation of the new welfare reform law and its job training program. It's very important that these programs and the JTPA be coordinated and that we look at all three together as parts of a coherent approach to skills provision and preparation for work.

In arriving at our position on the minimum wage, we have looked carefully at the current social context and current economic conditions. Since 1982, over 19 million jobs have been created.

The proportion of working age Americans with jobs is higher than ever at 63.2 percent. During the last seven years, jobs paying over $10.00 an hour have increased by almost 80 percent, while jobs paying less than $5.00 an hour have decreased by 30 percent.

In just the last 12 months, half the new jobs filled have been in the generally higher skilled, high paying managerial and professional occupations. As this suggests, jobs which require post-secondary training or education are growing at a much faster rate than those which require no skills.

America's recent record of job creation is a good one. It's a record rooted in growth. It's put millions to work, but we are not pollyannish about this. There is poverty still and unemployment. Growth by itself cannot remedy it, but neither, I would add, can a higher minimum wage.

The real remedy, we believe very strongly, in addition to continued growth, is improved education with an emphasis on the basics in language and math and quality training programs with a particular emphasis on achievement. We are anxious to move forward on this with you and others in the congress.

We need to work toward improving programs to help workers, especially young people just entering or about to enter the work force to acquire the skills they'll need to get a job and then to move up the wage ladder.

The truth is that growth creates opportunity for those prepared to seize it. Surely, we need as our first priority to continue growth-oriented economic policy. As our second, we need to insure that our policies help prepare more people to seize the opportunities that growth creates.

Despite progress over the last seven years, it's still true that youth unemployment at about 15 percent is three times the overall unemployment rate. For minority youth, at more than 30 percent—in fact it's getting close to 35 percent—is twice as bad again.

An excessive increase in the minimum wage or even a more modest increase without the training wage will only make this problem worse. There's a consensus on this among economists; a minimum wage increase costs jobs and job opportunities.

That cost is paid primarily by the young, the low skilled, the disadvantaged. It's not just a theoretical consensus. We have about 60 studies at the Department of Labor from economists across the spectrum that make this point, this basic point.

If labor costs go up, labor utilization goes down. In plain language, that means fewer people are hired; ask any small business owner. A simple, meaningful training wage is essential. It's the only really effective way to offset the job loss.

The price of learning on the job is often initially a lower wage. Most of us can remember from our own early experience with a new job how much of the basics we had to learn, not only skills specific to any new job, but basics about showing up on time, taking no more than 10 minutes if we had a 10 minute break, showing good faith as co-workers and a good face to customers; simple things, yes, but not automatic. They have to be learned.

This is the kind of skilled training that young people acquire early on that can propel them up the wage scale. Current data support this. Of youth under 25 who started at no more than the minimum wage when the decade began, this decade, the vast majority are earning significantly more than the minimum now.

Most of these, when asked, report their own sense that the skills they learned in those beginning jobs were a help to them in getting a better paying job later on.

Not incidentally, in the last seven years while the minimum wage has held constant, the number of teenage black males in the work force has increased by 70 percent. The overall rate of summer employment for all youths last year set a record.

Without a training wage, we believe these gains are in jeopardy. Without a serious effort to upgrade the quality of education and training, those gains may be over.

Two years ago, the *New York Times* correctly pointed out that raising the minimum wage risks pricing working poor people out of the job market. "A far better way to help them," wrote the *Times*, "would be to subsidize their wages or, better yet, help them acquire the skills needed to earn more on their own." The *Times* went on, "it should not surpass our ingenuity or generosity to help some of them without hurting others." I agree, Mr. Chairman, and I want to stress this point.

The fact is that just raising the minimum without a lower new hire differential will hurt many; indeed, it will hurt young people

particularly. Put differently, raising the minimum wage does not effectively reduce poverty.

This committee knows that while the last increase was phased in, during the late 1970s, the poverty rate actually started to rise significantly for the first time in the whole post-World War II period.

We need to recognize that the poverty population and the minimum wage earners are different people by and large. We need to be clear about what we are trying to do. If we want to help people out of poverty, then we need to look at literacy and basic skills, which are the root to the better paying jobs our economy is creating.

Raising the minimum wage has little relation either to skills provision or to the poverty population. Seventy-two percent of minimum wage earners today are single. A full-time job at the current minimum puts the single person without any dependents above the poverty level.

Over two-thirds of those on minimum wage are part- time workers, and most of them prefer to work part-time. In fact, 80 percent of the part-timers prefer part-time work. Further, most minimum wage earners are not just single but they are young. Almost 60 percent are under 25 years old. Indeed, 36 percent are teenagers, almost all of whom live at home with other earners in the family and they are not in poverty.

The chart, right over here to the left, illustrates this point. As you can see, the number of minimum wage earners in the yellow circle is 3.9 million. I might add that that is half of what the number of minimum wage earners were in 1981. The number of working age poor is about 20.5 million. That's the blue circle. The overlap between the two, the total number of heads of poor households working at the minimum wage, is very small, less than 350,000.

True, raising the minimum will raise income for some, if not all, of those in the small shaded overlap area on the chart. Without a training wage, it will do so at the cost of perhaps twice as many people of denying them a job at any wage.

Simply put, the demographics have given us a new, exciting and very real opportunity to make a tremendous impact, particularly on youth. As the work force grows more slowly and the economy continues to grow and create jobs, we will have more new jobs for fewer new workers, the combination that adds up to opportunity.

What it means is the possibility of fulfilling a dream; a job for every American who wants a job if they have the skills. It means the real promise of productive work and the independence and the rewards that go with work.

It means that we can keep a promise to our youth, including our minority youth; that if they ready themselves with the skills we know they will need, then we know there will be jobs awaiting for them to fulfill.

Without such a focused effort on education and training, the real specter arises that we might find ourselves in the 1990s not simply with employed and unemployed, but with employed and unemployables.

Given the facts of disemployment and the adverse effects on youth that an excessive increase in the minimum wage would produce, the President's position is as follows: an increase of about 27 percent over three years, that is, 30 cents a year to a ultimate $4.25 an hour and no higher; a meaningful training wage that would apply universally to all new hires, whether or not this is their first job.

The training wage would be available for six months at the $3.35 level of the current minimum wage. Included also are strict enforcement provisions against displacing employees to hire new workers after six months.

Liberalizations of the current tip credit from 40 percent to 50 percent, and small business exemption from $362,500 to $500,000, which could be extended to all businesses, not just retail and service establishments.

The facts as we see them and the concerns they prompt in us, compel us to say we could accept this increase only if the training wage we have proposed is added to it. The facts compel us to say that any more expansive approach at this time would be unacceptable because it would decrease job opportunity.

Legislation outside these parameters would call for a veto, Mr. Chairman. This is as far as the President can go.

I thank you very much for the opportunity to present the President's position. I will be happy now to respond to questions that you may have.

[The prepared statement of Hon. Elizabeth Dole follows:]

STATEMENT OF ELIZABETH HANFORD DOLE
SECRETARY OF LABOR
BEFORE THE
EDUCATION AND LABOR COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES

March 14, 1989

Mr. Chairman, Congressman Goodling, members of the Committee, thank you for this opportunity to discuss increasing the minimum wage and to offer the Administration's thoughts and position on proposals to do so.

Mr. Chairman, I know we all agree that many of the most important issues facing us in America over the next decade are to come before this Committee. We agree further, I think, that none is more important than this: how can we best provide the levels of literacy and basic skills, improved education and training, needed to prepare American workers for the jobs that await them?

So on the proposal before us, let me be clear on the President's position at the outset: first, increasing the minimum wage, simply, means a certain loss of jobs and job opportunities. The larger the increase, the larger the job loss, so second, any increase must be modest and third, it must be accompanied by provision for a meaningful training wage for new hires which would offset the disemployment effect, especially for younger workers.

I wish to be clear as well, about one more thing as this discussion begins: it is our belief that improvements in training and education are the far more urgent challenges in employment policy today. In short, it is our belief that the "skills gap" is the real problem. And so it is our desire to resolve this debate about the minimum wage quickly, and move on just as quickly to the pressing challenge of improving skills.

I know you, Mr. Chairman and your colleagues on this committee, agree on the importance of education and training. I hope we can agree on the importance of turning our attention to it while this 101st Congress is still young. We will soon have the report and recommendations of the JTPA advisory committee, which has been examining among other issues the way we target and deliver training to the economically disadvantaged. We have an opportunity this year, in addition, to look at Vocational Education re-authorization and implementation of the new welfare reform law and its job training program. It is very important that these programs and the JTPA be coordinated and that we look at all three together, as parts of a coherent approach to skills provision and preparation for work.

In arriving at our position on the minimum wage, we have looked carefully at the current social context and current economic conditions:

- Since 1982, over 19 million jobs have been created;
- The proportion of working-age Americans with jobs is higher than ever -- at 63.2 percent;
- During the last 7 years, jobs paying over $10 an hour have increased by almost 80 percent -- while jobs paying less than $5 an hour have decreased by 30 percent;
- In just the last 12 months, half the new jobs filled have been in the generally high skilled, high paying managerial, and professional occupations;
- And, as this suggests, jobs which require post-secondary training or education are growing at a much faster rate than those which require no skills.

America's recent record of job creation is a good one. It is a record rooted in growth. It has put millions to work. But we are not pollyannish about this. There is poverty still, and unemployment -- and growth by itself cannot remedy it. But neither, I would add, can a higher minimum wage.

The real remedy, we believe very strongly, in addition to continued growth, is improved education, with an emphasis on the basics in language and math, and quality training programs with a particular emphasis on achievement -- and we are anxious to move forward on this, with you and others in the Congress. We need to work toward improving programs to help workers, especially young people just entering or about to enter the workforce to acquire the skills they'll need to get a job and move up the ladder.

The truth is that growth creates opportunity for those prepared to seize it. Surely, we need as our first priority, to continue growth-oriented economic policies. And as our second, we need to ensure that our policies help prepare more people to seize the opportunities growth creates.

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Despite progress over the last 7 years, it is still true that youth unemployment, at about 15 percent is 3 times the overall unemployment rate; for minority youth, at more than 30 percent, it is twice again as bad. An excessive increase in the minimum wage, or even a more modest increase without a training wage, will only make this problem worse.

There's a consensus on this among economists: a minimum wage increase costs jobs and job opportunities -- and that cost is paid primarily by the young, the low-skilled, the disadvantaged. It's not just a theoretical consensus. We have 60 studies at the Labor Department, from economists across the spectrum that make this basic point: If labor costs go up, labor utilization goes down. In plain language, that means fewer people are hired. Ask any small business owner.

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Not incidentally, in the last 7 years, while the minimum wage has held constant, the number of teen-age black males in the workforce has increased by seventy percent and the overall rate of summer employment for all youths last year set a record.

Without a training wage, we believe these gains are in jeopardy. And without a serious effort to upgrade the quality of education and training, those gains may be over.

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The fact is, that just raising the minimum, without a lower, new-hire differential, will hurt some. Indeed, it will hurt young people particularly. Put differently, raising the minimum wage does not effectively reduce poverty. This Committee knows that while the last increase was phased in, in the late 1970s, the poverty rate actually started to rise significantly --for the first time in the whole post World War II period.

We need to recognize that the poverty population and the minimum wage earners are different people, by and large. We need to be clear about what we are trying to do. If we want to help people out of poverty, then we need to look at literacy and basic skills -- which are the route to the better paying jobs our economy is creating. Raising the minimum wage has little relation either to skills provision, or to the poverty population. Seventy-two percent of minimum wage earners today are

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Simply put, the demographics have given us a new, exciting and very real opportunity to make a tremendous impact particularly on youth. As the workforce grows more slowly, and the economy continues to grow and create jobs, we'll have more new jobs for fewer new workers -- a combination that adds up to opportunity. What it means is the possibility of a job for every American able to work.

It means the real promise of productive work, and the independence and rewards that go with work. Especially it means that we can keep a promise to our youth, including our minority youth, that if they ready themselves with the skills we know they'll need, then there will be jobs waiting for them to fill.

Without such a focused effort on education and training, the real specter arises that we might find ourselves in the 1990s not simply with employed and unemployed; but with employed and unemployables.

9

Given the facts of disemployment, and the adverse effects on youth that an excessive increase in the minimum wage would produce, the President's position is as follows:

-- An increase of about 27 percent over three years, that is, 30 cents a year to an ultimate $4.25 an hour and no higher;

-- A meaningful training wage that would apply universally to all new hires, whether or not this is their first job. The training wage would be available for six months at the $3.35 level of the current minimum wage. Included also are strict enforcement provisions against displacing employees to hire new workers after six months.

-- Liberalizations of the current tip credit (from 40 percent to 50 percent) and small business exemption (from $362,500 to $500,000, which should be extended to all businesses, not just retail and service establishments).

The facts as we see them -- and the concerns they prompt in us -- compel us to say we could accept this increase only if the training wage we have proposed is added to it.

10

And the facts compel us to say that any more expansive approach at this time, would be unacceptable, because it would decrease job opportunities. Legislation outside these parameters would call for a veto. This is as far as the President can go.

Mr. Chairman, I thank you and would be pleased to respond now to any questions.

Chairman HAWKINS. Thank you, Madam Secretary. I have no specific questions at this time. Frankly, I don't know whether it would do any good to ask any questions. I have a feeling that the administration's approach to this rather complex problem seems to be overly dogmatic, with the threat of a veto before we even begin.

I recall a few years ago when we dealt with the Job Training Partnership Act, a veto threat was held over the heads of this committee. Yet, it is a law today signed by the President after many hours of negotiations and compromises.

It seems to me we have somewhat the same situation today. I believe there is some room for negotiations.You claim that the administration's proposal has a training wage provision. There are some of us who doubt there is any training actually required in the administration's proposal.

We haven't seen the legislative language, so we are not able to criticize it in detail. Yet, as far as we can determine, there's been no indication that it is a real training wage provision. I believe that a real training wage provision could lend itself to some negotiations and some discussions by all parties concerned.

To foreclose that possibility means that we would not have an opportunity to actually do what the administration claims that it is seeking to do.

My understanding is that the subminimum wage would apply to adults as well as to youth, to all individuals, black, white, skilled, unskilled. If it's their first hire, obviously they could be paid the subminimum wage.

It could be a displaced steel worker or a displaced automobile worker who loses a job and then goes out into the labor market in order to earn enough for his/her family. The characteristics of who would be eligible are not spelled it. That, it seems to me, is a serious defect.

I don't buy the argument either that raising the minimum wage will result in a tremendous loss of jobs. I don't care if 150 studies have been made by the department. Previous administrations, both Republican and Democratic, have seen fit to raise the minimum and didn't frighten us with all this talk of loss of jobs.

Actually, since 1938, the minimum wage has been adjusted 15 times. In 13 of those time, the number of jobs has actually increased not decreased. So, I don't think the empirical evidence supports the contention that somehow an adjustment of the minimum wage is going to cost 800,000, 650,000 or any other number of jobs.

Whether or not the amount should be increased by the 27 percent advocated by the administration or 30 percent or 31 or 32 percent is something that can be discussed and explored.

Why is it that $4.25 is better than $4.65? Why is it that either one of these is better than $4.50 or $4.80? On what basis are we adjusting it? I think these are questions that remain to be answered.

As the Chairman of the committee, I don't take the position that we are so dogmatic that we can't talk to each other, and try to arrive at some mutually acceptable way of addressing the problem. It is not only an economic problem, but one of the more serious social and moral problems facing us today.

I just wanted you to understand that we offer the opportunity to discuss, to negotiate, to compromise to the extent that we can do so practically.I think we can do so without sacrificing our principles and without sacrificing the best interest of the country.

Obviously this was not a question, but if you care to respond, you have that opportunity.

Secretary DOLE. Yes, I would. Thank you, Mr. Chairman. First of all, the President has indicated that he is willing to increase the minimum wage, a modest increase, but if and only if there's a training wage because he's very much concerned, as am I, about loss job opportunities.

I would just point out—I brought these along just to indicate—these are 60 different studies, all of which—and it's across the spectrum in terms of the economists—all of which indicate that, indeed, as the minimum wage goes up, as labor costs go up, labor utilization goes down.

An employer is going to think all right, I'll go to automation in certain instances or I'll put some people on part-time if it's going to cost me more for labor, or there are certain jobs that I just won't fill, or there are jobs that I plan to create that I won't create.

We are not aware of studies that indicate there is not an effect on lost job opportunities when the minimum wage goes up. So, the President's concern is these lost job opportunities.

You know, Mr. Chairman, I have spent a great deal of my time in these first few weeks that I've been at the Department of Labor working on an issue that I feel passionately about, and that is how to impact that high minority youth unemployment figure that is almost 35 percent.

I want to see us work together to target our programs, to tie together the JTPA with vocational education and also with the jobs program and the welfare reforms legislation. I want to see us look at every aspect as to how we can work together to be as efficient and as effective as we can be in providing this; literacy skills, training, education, remedial education, counselling, mentoring for these young people so they can have a job.

They are the very people who are going to be effected if there are lost job opportunities. On the one hand, you are putting all this effort into trying to train them; on the other hand, the jobs that would be available for them are being eliminated if we go up an excessive amount on the minimum wage or we have even a modest increase without the training wage.

As far as what kind of training, let me just indicate, from my own experience perhaps, how I see that. The proposal is very simple to administer. It would apply to any new hire. When a person applies for a job and they've never worked for that firm before, they would qualify for the training wage. That's easy to administer. It will encourage employers to use it.

My first job when I was in high school, I worked for a Christmas season at a jewelry store. As a matter of fact, I just sent Mr. Norman Engle his 90th birthday gift. He's in a nursing home in my hometown.

He offered me my first opportunity to work. Believe me, the beautiful blouse that he gave me for Christmas that year was

worth more than what I sold for him. I've always thought that since the day I received it.

I thought, I really shouldn't accept this because I didn't have the skills to really get in there and aggressively sell. I learned how to work the cash register. If somebody walked up to me and said I'd like to buy this, I would take it and I would make change and work the cash register and so on. I was not aggressively selling.

I have to say that even after I finished college, I went to my first job interview. I was still not aggressively selling. I sat there waiting for them to ask me the questions not realizing that if you don't get in there with your own qualifications and why you want this job and pushing it, it's not going to happen. Nobody's going to do it for you.

It takes time for young people to learn these kinds of skills. It takes time for them to learn—I had the support of my family and a good education and all the rest. When I think about young people who feel independence is possibly going on crack or getting pregnant at 15, I want to break through that.

We want to provide the skills and the literacy and the training and the mentoring to help them realize independence is a good job. That's self-respect. I feel that there are basic skills that many people need to learn; being on time, being able to work with your peers, understanding how to deal with the public.

That doesn't just happen overnight for any young person, but especially young people who have been disadvantaged, who haven't had the kind of support that I had when I was growing up. So, I really feel this is important.

Those sorts of intrinsic skills, discipline, understanding follow through, it takes time. I think six months is not excessive at all to learn those kinds of important skills that you take through life with you, basic skills.

Chairman HAWKINS. Thank you, Madam Secretary. The Chair will invoke the five minute rule. When the light turns red, that means quit.

Secretary DOLE. That applies to me too with my answers; right?

Chairman HAWKINS. We're not applying it to you, Madam Secretary. We'll give you the unlimited opportunity to respond. I hope your time is not limited today because there are a lot of questions. We hope to take advantage of your presence here.

Mr. Goodling.

Mr. GOODLING. Mr. Chairman, as you know, some of our colleagues are being very ethical these days and are kept in the room for many, many hours. Mr. Petri is allowed out for a few seconds. Since this has been one of his major interests for so long, I'm going to yield to Mr. Petri at this time.

Mr. PETRI. Thank you very much, Mr. Goodling. Madam Secretary, I just wanted to say that Mr. Engle did a good piece of work in hiring you. You have learned how to aggressively sell. You are doing an excellent job. I know I speak for people on both ends of the table here on this committee; that we're looking forward very much to working with you.

I've had the opportunity to work with you in the public works and transportation area in the past, and I really am happy to see you where you are.

Secretary DOLE. Thank you very much.

Mr. PETRI. I have just one question, and it refers to an area I think you probably thought I might be asking about. That goes back to the first chart which I'm very glad is here because it points out that in our effort to do something about the problem of poor people working and trying to support a family, which is really why we want to have a minimum wage policy in our country, we are kind of missing the target.

We're going over towards the little yellow circle instead of towards the big blue circle. That's really because need varies with family size. We recognize that in the welfare area in AFDC by varying payments to people on the basis of the number of children that they're trying to support or that they have in their family.

Wages don't vary according to family size or to needs. They really can't. So, it seems to me that we've got to get the incentives in order for working for people or people who could be, if the opportunity presented itself, in the labor market.

If their incentives are such that they can't make enough at a job to take care of their families as well as they can on welfare, those incentives are perverse. So, I wonder if you've given any thought at all to supplementing the wages of low income people who are working and who are attempting to support dependents, based on family size, so as to have the incentives where we want them, to be in the work force rather than to be on welfare, and to get people on that track that you spoke so eloquently about.

Secretary DOLE. Congressman, I think the earned income tax credit is targeted, no question about it, to the working poor. It does not have the problem of loss job opportunities that an excessive increase in the minimum wage would produce.

Also, as far as an affect on inflation or decrease in the gross national product, it also does not have those negatives. However, I have to say that these—the process, both in the House and the Senate, is moving so rapidly that in terms of hearings, mark up, getting it to the floor, it's moving very, very fast.

There's really not been an opportunity to thoroughly analyze and look at that particular proposal. I think that it's something that I certainly want to do. It does have a difficulty attached to it; that is, there's an impact on the budget. Obviously, right now we are trying to get the deficit under control, so that's something that would be rather costly.

In terms of taking care of the problem that I indicated here, that if our goal, if the goal of this exercise is to lift people out of poverty, that is not going to happen by raising the minimum wage even to $4.65.

Right now it will lift a single person out of poverty, but the 336,000 families that are impacted there in that little narrow area is the group that's impacted, but it's not going to lift them out of poverty.

I think the targeted approach does more in that direction, but most importantly, I believe, is providing the skills, the literacy, the remedial education, the mentoring and the rest that I described.

I would hope, too, that the jobs program, which is a part of the Family Support Act, will provide opportunities for people who have been on welfare for a long period of time to be able to get the child

care, the support, the training and so on, and we'll see some changes through that important program which should be linked with the JTPA.

I would just sum up by saying there's not been the opportunity to really, thoroughly analyze alternatives because of the fast movement here. While it does have many advantages, it does have the disadvantage of a very large budget impact. I, for one, am certainly going to look carefully at that.

Mr. PETRI. Thank you.

Chairman HAWKINS. Mr. Ford?

Mr. FORD. Thank you, Mr. Chairman. Madam Secretary, it's indeed a pleasure to see you here. I've been sitting here reminding myself, Bill, after 25 years, you do not get angry with the messenger even though you think the message is not at all nice.

If it was your predecessor sitting there, not your immediate predecessor but the one who left to go to your husband's campaign, I would use stronger language because we're old friends and he would understand.

I want to ask if we can expect that you have somebody who is going to introduce the Bill you've been describing to us pretty soon so we can look at what it is we have to accept or else get a veto?

Secretary DOLE. Yes, I believe that will be done pretty soon.

Mr. FORD. I don't want to run around screaming the sky is falling and attacking Secretary Dole's proposal until I see what it is.

Secretary DOLE. I think you'll get an opportunity to look at it today.

Mr. FORD. I'd just like to ask you, you had written into your formal statement today the statement that economists said that the raise in the minimum wage would cause a job loss. There have been studies after study after study ever since the first minimum wage law was passed in the 30s because that's been part of the debate from the very beginning of the concept.

American businesses have not liked the idea of being told that they ought to pay their people any sort of a minimum. The relative size of the minimum does has not seemed to change that.

I have to tell you honestly that I've challenged people of all kinds that have used that statement to show me a study by one of these outstanding economists who looks at what the experience has been with the unemployment rate following a change in the minimum wage law. It just doesn't prove out.

There may be economists who say that, but the experience is something that we've had for 50 years. This is not something that is any longer in the realm of academic supposition because we have 50 years of experience to look at with changes over the years.

The first time I ever heard the Congress debating a bill, I was here with my 8th grade class in 1941. They were trying to raise the minimum wage. Would you know it, if there was a recording made that day, it would sound just like the recording of the last time we had the minimum wage up a few years ago. All the arguments are exactly the same.

I can remember from being a 14-year-old boy every Republican argument about why the minimum wage shouldn't have been raised. That was a pretty far out socialistic proposal then. The minimum wage was set at 25 cents in 1938. A year before I was here or

a year and a half with my school class, it had been raised to 30 cents an hour.

What do you suppose they were debating? They were debating 40 cents an hour. The people from California were saying that the average person working in the California aircraft industry—this was the year we went to war with Japan I might remind you—the average aircraft worker was making less than 40 cents an hour and they were trying to get the minimum wage up to 40 cents an hour to raise industrial wages to that level.

Go back and look at the record—I invite anybody within the sound of my voice—and you will see all the arguments that you're going to hear for the rest of the discussion of this Bill.

If we simply raised the minimum wage by the cost of living increases since we last raised it, it would be $5.25 in 1992. Now, Ms. Dole, you're asking us to accept something different. I want to see how you work the training wage and just ask you this one question.

We've checked with your department—if you don't want to answer now you can put it in the record—do you know how many employers are now taking advantage of the provision in the present minimum wage law that lets them pay a wage equivalent to 85 percent of the minimum wage for students?

Secretary DOLE. For the full-time student exemption, 11,873 employers are authorized to employ 106,297 students at subminimum wages.

Mr. FORD. Do you know many it was in 1978?

Secretary DOLE. In 1978, 31,925 employers were authorized to employ 515,000 full-time students at subminimum wages. I know on the student learner, the other program that we administer, 5,956 certificates were issued in 1978.

Mr. FORD. I'm talking only about the authority to pay 85 percent of $3.35. Only 11,873 applications are currently being made by employers.

Secretary DOLE. But there are that many slots authorized.

Mr. FORD. That's a very, very small part of the work force, I'm sure we all agree.

Secretary DOLE. It's not being utilized.

Mr. FORD. As recently as 1978, that was 500,000. Why do you suppose it's dropping so fast?

Secretary DOLE. Well, I think, frankly, neither indicates that it's being utilized to any great extent. I think it's very difficult to administer. The students have to be full time. They can only work 20 hours a week. The employer has to come back every year for reauthorization from the department. You can only have six students in any one day working for you under the authorization to employ no more than six full-time students at subminimum wages. The other two types of authorizations limit full-time student employment at subminimum wages to a percentage of total hours of all employees during any month. It's just not a very workable proposal. So, I don't think that either figure is really very high in terms of utilization.

Chairman HAWKINS. Mr. Goodling.

Mr. GOODLING. Thank you, Mr. Chairman.

Secretary DOLE. Mr. Chairman, I hope there will be an opportunity to answer Congressman Ford's first comment at some point.

Chairman HAWKINS. You can complete the statement at this time. You may proceed to answer Mr. Ford's question. We didn't want to deny you the opportunity to answer. Because of the limited time that we have, I have to impose a five minute rule. We hope that the members of the committee will try to confine themselves within that time and give you the opportunity of answering. So, you may proceed.

Secretary DOLE. If I could just very quickly address the point about unemployment, first of all January 1, 1978 to December 31, 1981, over that four year period, the last time the minimum wage was increased, unemployment rate went from 6.4 percent to 8.5 percent.

Obviously, I'm not saying that this is——

Mr. FORD. The jobs lost to minimum wage, wage scale or in the——

Chairman HAWKINS. Mr. Ford, if you keep asking questions, we'll have to allow Ms. Dole the opportunity to answer and it could go on. I hope we will get back a second round and possibly a third round.

Mr. FORD. I prefer we wait for that, Mr. Chairman.

Chairman HAWKINS. Have you completed your answer to the previous question?

Secretary DOLE. I just wanted to indicate that as far as the people who are going to be impacted by an increase in the minimum wage, that's who we have to focus on. When you measure employment/unemployment in a macroeconomic way based primarily—the variable based primarily on the business cycle and demographics—that's not zeroing in on the youth who are the ones impacted by the minimum wage and the ones that these studies focus on.

I think there is no question that as the minimum wage goes up, there are many, many lost job opportunities for these young people who are only 17 percent of the overall work force. That's the focus. They are lost job opportunities.

At $4.65 these studies would lead our people, as they make the analysis, to come up with 650,000 lost job opportunities. They are the very people that we are trying to help with the training programs. Thank you, Mr. Chairman.

Chairman HAWKINS. Mr. Goodling.

Mr. GOODLING. Thank you, Mr. Chairman. Madam Secretary, I suppose you would agree that the way to assure good wages is to do whatever we can to keep the economy moving.

Secretary DOLE. Yes, very definitely.

Mr. GOODLING. Otherwise, if we don't keep the economy moving, I don't care what the minimum wage is, no one will be working. In my area, you don't hire anyone for less than $5.00 an hour whether they have any training or not, simply because you can't get them.

If that economy starts faltering, of course, that dream is gone and perhaps gone for a long, long time. I don't have that much trouble with a six-month new hire. I realize if the economy is moving, it means that if you've gotten someone at a new hire wage and they show any potential whatsoever, you're going to do every-

thing under the sun to try to keep them because you surely don't want to go ahead again and start trying to train someone to do the job.

So, you're going to keep increasing their pay and their benefits, et cetera, in order to keep them there. So, I don't have that much trouble with it.

I know when we negotiated the JTPA, of course, we were negotiating to prepare people for jobs, to get jobs, and to keep jobs. Of course, we have a different picture now dealing with the minimum wage.

So, I thank you very much for your testimony. I'm not going to ask any questions at this particular time.

Chairman HAWKINS. Mr. Murphy?

Mr. MURPHY. Thank you, Mr. Chairman. Thank you very much, Madam Secretary for being with us today. I want to apologize as Chairman of the subcommittee that we did not have an opportunity to hear you before subcommittee mark up, but that was merely the first stage. I'm pleased that you are here with us this morning to announce what the administration proposal is.

As I stated, that subcommittee was merely our first stage at looking at the Bill. I would like you to know that during the past two years, this body, this committee has taken great pains to compromise on minimum wage proposals.

Some would like the rate—the majority of this committee would like the rate to be $5.15 an hour. I think the majority of this committee would like to see indexing, and the small business exemption staying where it is.

The tip credit ranges all the way from the no tip credit philosophy to the 50 percent tip credit philosophy. We have included those measures in our compromise measure. I don't think that we in the committee are still without some room for compromise, particularly on a true job training provision.

I wish you would carry back to the administration the concern that I have over your memorandum. You sent it saying that you are no longer willing to keep your mind open and compromise. When we finish the legislative process, hopefully in the next month, I would like to know or have your assurance that at the conference committee, you will participate.

You will have the administration's people there and not close the door on what has been said so far. I do not want to embarrass the new President with having him veto something which I think is a most modest effort. So, I would hope you would keep your mind open in that respect and urge the administration to do the same.

Next, I would like to state that—and sometimes we get off the track because it's our opportunity to discuss issues with you. I hope you understand.

Mnority unemployment, if my statistics are correct, has increased since 1981 when we were paying 50 percent of the national average wage as the minimum wage level. Now it's only 38 percent and minority unemployment has been increasing, and we have had a great lessening in the minimum wage through inflation. So, I would like you to provide your statistics to us.

Next, unfortunately, there will always be a core of unskilled workers. There always has been and there always will be. It is that core of unskilled workers that this is targeted for.

The skilled worker will set his own level of pay, but this is to protect the unskilled worker. I know you lay great emphasis on skills and job training. Those persons, once they have training, need not rely on the minimum wage for their fair share.

I do have one question. If the minimum wage was adjusted for inflation since 1981, is it not true that today it would exceed the first target of $3.85 an hour which is the next January wage?

Secretary DOLE. The playing field, so to speak, has shifted in these intervening years. Truly, I believe it's the skills gap now rather than the wage gap as we look at who we're trying to help. Even at $4.68, you don't lift that family of four out of poverty.

If that's truly what we are about here, then most of what this increase would represent is going to go to the young people who are single, who are part-time workers and want to be part time, most of whom will tell you when you ask, "My primary mission is school; work is secondary."

They are living at home. They are young. They are under the age of 24. They are not in poverty. So, it's just what instrument do we use to reach the goal. This is a blunt instrument. It's really not focused on the working poor because you have all of those in the yellow circle who are going to benefit and just a tiny little bit of overlap. Only one percent of all workers are both in poverty and on the minimum wage.

Ninety percent of those are not working full-time, year round. It's just what measure do we use to accomplish the goal. What tools do we use? I am so convinced that the right tool, if we are really going to try to focus on how resources are used, is to provide that remedial training and all the rest that we have discussed today.

I am prepared to spend the bulk of my time working with you to make a difference for people who have been most disadvantaged and least skilled. I feel a real sense of mission about this, and I just hope that together we can do that and not try to do it through the minimum wage in terms of an excessive increase which will take jobs away from those very people we are trying to help.

That's my concern, but I do think this represents going more than halfway, certainly more than halfway to the $4.65. It is an increase which is responsive to those who feel that an increase should be undertaken.

The President's strong feeling here is those lost job opportunities. That's why he's laid out a proposal. When he first supported it back in the campaign he said, "if and only if there's a training wage." He feels very strongly about it for that reason.

Mr. MURPHY. Well, we look forward to your's and the President's meaningful support of job training and education in the coming months. Thank you.

Secretary DOLE. Thank you.

Chairman HAWKINS. Ms. Roukema.

Ms. ROUKEMA. Mr. Chairman. Madam Secretary, I want to welcome you here today. It will be the first of many such appearances,

I am sure. I appreciate your testimony. I especially appreciate your response to Congressman Murphy's question on the inflation factor.

It seems to me that you and the administration have focused on the central policy question which is the training wage. I do have a couple questions to ask with respect to the fact that you do not call it a training wage. You call it a new hire wage. That raises questions.

Secretary DOLE. I think we're calling it both. It's a new hire training wage.

Ms. ROUKEMA. Let me ask the question that it raises in my mind. I raised it before. I happened to have a coincidental conversation over the weekend with the Republican Chairman of a legislative committee in the state of New Jersey who is dealing with this same issue.

Under the new hire provision, what happens to the person with experience at another job with another employer and whose experience has trained him for the new job with the new employer?

Secretary DOLE. Well, the beauty of this is that it applies universally. It's simple to administer. It would encourage employers to create these jobs rather than not to use the provision.

As we were talking about the student exemption, that basically has not been utilized. It's very hard to administer. It's burdensome. So, this is universal. We feel clearly that most of this is going to impact on youth.

As I was saying earlier, developing those basic skills, those intrinsic skills, as well as whatever is needed for that immediate job in the way of specific skills, we feel warrants——

Ms. ROUKEMA. In fact, however, if one moves from one job to another, although having had previous experience doing the same job at another firm, one could be hired at the training wage?

Secretary DOLE. That's right.

Ms. ROUKEMA. Then we have students who may be off on a summer program, for example, for a three month period, the following year going back to the same job for that same three month period, he or she could be considered a new hire?

Secretary DOLE. No, it's just has this person ever worked for this particular firm before? If they have not, then they would be eligible. You would think that a new employer may have some different—even though maybe they've been selling the same kind of goods somewhere else, there may be new skills to learn with that employer specifically.

Again, I just emphasize that the intrinsic skills, developing those good work habits, learning discipline, and follow through on detail and attention to detail and being able to work effectively with other people, accept supervision, understand that you've got to be there every day and not two days a week and you've got to be on time, these are real.

We all, as we think back to our first job, I think, would recognize that it takes sometimes again and again and again repeating opportunities for these good work habits to develop, especially if you have had a disadvantaged background where you did not have the kind of support and opportunities as a young child.

Ms. ROUKEMA. Thank you. I appreciate your statement. I think I will forward to you with a covering letter the language that is used

in the proposed legislation in New Jersey. Of course, they don't call it new hire or training; they refer to it as apprentice wage. That might be helpful.

Secretary DOLE. Could I just add one other comment? The primary reason, too, or one of the main reasons certainly is the preservation of jobs. I think we ought to recognize that; that clearly the training wage is the way to preserve to offset the job loss. That's a major reason for it.

Ms. ROUKEMA. I am concerned and I am sure you are that we do not want to so loosely define this that we have created a large loophole here. I know that that is not your intention.

Secretary DOLE. No. We are not repealing the market. If a person does well in a month or two, the employer can move them right up. It is certainly not repealing the market.

Ms. ROUKEMA. Again, though, you are focusing on what I believe should be the central issue of this debate, and that is the training wage for the apprentice program.

Secretary DOLE. Yes.

Ms. ROUKEMA. Thank you very much.

Secretary DOLE. Thank you.

Chairman HAWKINS. Mr. Williams?

Mr. WILLIAMS. Thank you, Mr. Chairman. Madam Secretary, we are delighted to see you, and we appreciate your good efforts on behalf of finally moving along this issue of minimum wage. Your position is a credit to both your department and the administration, and I commend you for it.

I want to note your concern about adequate job training for Americans. As you know, this committee would agree with that. We face a real difficulty with regard to the appropriate job training in America because under the Reagan-Bush administration, job training funds, in real terms, were cut 57 percent.

There is only other federal effort that receive more dollar cuts and that was housing for the poor. Now our problem this year is that one can find no increases in job training money in the President's budget.

If increases were his intention, you cannot tell it from the numbers. I'm hopeful that you can deliver either a different message to us today, or you can at least keep in your head the fact that while President Reagan was correct, you don't solve problems by throwing money at them, he was also correct that there is no such thing as a free lunch.

We do have to pay for these appropriate programs. One of the reasons, of course, that job training hasn't kept pace is because we haven't spent appropriate amounts of federal dollars.

I'm encouraged that at least the Department of Labor is recognizing the necessity of help in that area.

Secretary DOLE. Let me mention just one program here. The trade adjustment assistance had been zeroed out. We made a change in that, the Bush administration, and reinstated about $324 million.

Part of that is income maintenance but there is also training money in that in terms of reemployment bonuses or there's actual training in there. So, I just want to add that for the record that

TAA has been reinstated and that does add additional dollars for training.

Mr. WILLIAMS. That will help some. There are other training efforts, and we can't find any dollar figures that the President supports for those. But, working together, I'm sure we'll be able to come up with what hopefully will finally be, after almost a decade of cuts, some improvements in funding for job training. Thank you, Mr. Chairman.

Chairman HAWKINS. Mr. Gunderson?

Mr. GUNDERSON. Thank you, Mr. Chairman. Secretary Dole, it's a privilege to join everybody in welcoming you to this committee. I was sitting here and facetiously thinking that you have testified in front of the Transportation Committee in your previous role.

You are going to find that this committee, for the most part, is going to be much better educated and is going to labor much longer. We welcome you in that regard. You like that one, Marge?

The reality is that if a year ago I had contemplated a new administration advocating a 27 percent increase in the minimum wage and then coming before this committee and being criticized for that, I would be nothing less than surprised to say the least.

Mr. Chairman, I can't be on the yellow light already.

Chairman HAWKINS. I'm sorry. Would the gentleman repeat his questions or his—the light has been corrected, I understand. The gentleman is pleading for how much time?

Mr. GOODLING. Four minutes is more than adequate.

Chairman HAWKINS. Four minutes.

Mr. GOODLING. Are we all set?

Chairman HAWKINS. All set.

Mr. GOODLING. Thank you. It seems to me that some of us who come from rural America are going to have nothing less than a bit of a difficult time going home and telling many of our businesses that $4.25 is what you're going to get over three years.

I happen to think a three year proposal is, frankly, a bit inflationary and would share that with some on this committee. What I want to focus on is this whole issue of what the minimum wage is in 1989.

Perhaps we ought to begin by focusing on Mr. Williams' comments. I understand the dislocated workers section of job training has a significant increase in your budget this year; is that not correct?

Secretary DOLE. Yes. It is basically what I mentioned, the trade adjustment assistance. We've added about $324 million.

Mr. GOODLING. I think that's important that we have that on the record. Can you describe for us who these 336,000 households are, what kind of jobs they have, what kind of training and skills that they have?

I think really, as you've indicated, it isn't minimum wage, it's skills training that's going to determine their fate. Can you give us some idea of who they are, what level of education they have, what type of skills they have?

Secretary DOLE. I'm going to ask, in fact I've been remiss in not introducing Assistant Secretary for Policy Michael Baroody. I'm going to ask Mike to address that. Basically, it's the working age poor who—as I say, it's that one percent of all workers that are lit-

erally working poor and also on minimum wage, a very small number. Ninety percent are not full time, full year in the work force. Mike, you may have some more details.

Mr. BARODY. Congressman, we don't have a lot of details about the demographics of those people. We know, first, that they are heads of households, which households are in poverty and the heads of households themselves who work at the minimum wage.

Now, of those 336,000, and this comes from reports of wage income to the BLS, we know that almost a third, actually a little more than a third, about 130,000 are heads of households which are one person households; that is, they are by themselves and solely dependent on their own wages.

If they worked full time at the minimum wage, those 130,000 would themselves be out of poverty. Of the remaining, we have about a quarter of a million people less, about 200,000, who are the targets of our common concern about people who work at the minimum wage and raise a family or are the sole support of that household.

Mr. GOODLING. Do you have or is it possible for you to obtain whether they are disabled, whether they are minorities, whether they are high school dropouts, whether they have a lingual problem?

That type of demographic information would be very helpful to this committee in working with you in lifting and targeting our job training and other education programs. Is that possible to obtain or not?

Mr. BARODY. We can certainly try to shed some light on it. The data that is available to us would not allow us to identify them further with the precision you and we would both like.

Whatever we can get, anecdotally and from the data, we'll be happy to share with you, Congressman.

Mr. GOODLING. One final question, there's a lot of discussion on this new hire proposal as to how to implement that on a fair and equitable basis. I've read your language on displacement. I appreciate and commend you for that.

Explain to us, however, for the record what you anticipate would be the administrative problems of trying to enforce an anti-displacement provision from one job to the next job to the next job.

In other words, if you are only going to focus the training wage on working within that company, as you mentioned to an earlier questioner, explain to us how you would try to enforce it if this committee mandated that you expand it. Is it impossible?

Mr. BARODY. Yes.

Secretary DOLE. It's basically just the same of enforcement that we undertake now which would—this, of course, would provide—we'd have civil and criminal penalties and you could provide for reinstatement, for back wages. It's basically the same enforcement as we currently undertake; granted, it could be more complex.

I think that this provision and the tools that we have now at our disposal in terms of civil and criminal penalties will enable us to do the job.

Mr. GOODLING. Thank you, Mr. Chairman.

Chairman HAWKINS. Mr. Sawyer?

Mr. SAWYER. Thank you, Mr. Chairman. It's my privilege to welcome Secretary Dole along with the rest of my colleagues this morning. I look forward to the continuing dialogue on these and other subjects that will come before this committee this year.

While I want to forego questions at this point, let me just express my desire to associate myself with the uncertainty that have been expressed by others; that is not to say opposition, per se, but rather uncertainty about the mechanics, the working details of a training wage or subminimum wage or whatever we want to call it.

I, like they, look forward to working with you to achieve an understanding and try to reach a workable agreement on how we might make that part of the law.

Secretary DOLE. Thank you. I appreciate an opportunity to talk with you about it further at a later time.

Chairman HAWKINS. Mr. Bartlett?

Mr. BARTLETT. Thank you, Mr. Chairman. Madam Secretary, I appreciate your testimony and your leadership on this in a relatively short period of time. I do want to comment as one who is not in favor of a minimum wage increase at all, because of its effect on costing jobs of low income workers.

Nevertheless, the administration has come up with a proposal that will mitigate against that job loss in a very dramatic way. So, my compliments. I also want to comment to my colleagues who are supportive of a minimum wage increase, that the administration, within 30 days of taking office, has proposed a compromise, a compromise that, while dissatisfies both sides perhaps, will work, is achievable.

If the sponsors of a minimum wage increase, in fact, want to increase the minimum wage, then it would be in their best interest, it seems to me, to embrace, whether enthusiastically or unenthusiastically, the compromise.

I do want to ask you as you offer this proposal on behalf of President Bush, you testified that you offered this proposal as something that is acceptable—are there other things that are acceptable as a way of further compromise?

As I understand your testimony, you're saying that this is the compromise that you're offering as a way to get the issue behind us. I wonder if you could elaborate on it somewhat.

Secretary DOLE. That's right. In that sense, we've already compromised. I think that clearly on the points that are key, and that is what the increase will be up to—he can accept up to $4.25 but no higher. In terms of the training wage, he can accept nothing shorter than the six months which would apply to all new hires.

Those are key provisions and they are very important to the President because that is how you offset with the training wage at six months. You have a significant offset on the lost job opportunities.

So, most definitely, he has said this is it. This is as far as I can go on these provisions, the increase as well as the parameters of the training wage.

Mr. BARTLETT. To make sure that the words are accurate to reflect the intent, I think it's important that everyone realize that the President is not offering any sort of an ultimatum or take it or leave it, but the President is offering the compromise.

Secretary DOLE. That's right, and the important thing about it——

Mr. BARTLETT. It would short circuit some—we spent the last two years trying to arrive at a compromise with noted lack of success. It seems to me that the President has cut through that gridiron knot of all the behind-the-scenes and up front negotiations that went on around here for two years and probably correctly identified exactly where the compromise would have ended up had we proceeded ahead in the last session of Congress and just simply said if that's what we're going to agree to anyway, let's agree to it so we can move on to other issues.

Secretary DOLE. So we can quickly get this behind us and move to the skills gap, which we think is where the real need is in this point in time. I think the whole scene has shifted, most definitely, since the last time the minimum wage was increased.

Mr. BARTLETT. I want to get clearly in my mind the number of jobs that are saved. As I added up all the charts on your bar chart.

Secretary DOLE. Yes, I would like to discuss that. At $4.65 approximately—and these are rough estimates. It's a range of estimates that have been provided as a result of these studies.

What we did was to take the midpoint of the range, so it's hitting the midpoint and then going from there to estimate that 650,000 loss job opportunities would occur at $4.65. At $4.25 we are able to preserve 450,000 of those loss job opportunities.

That includes, of course, your increase in the tip credit as well as the expanded level of gross sales for small business to $500,000 including all small business.

Mr. BARTLETT. So, it's a dramatic saving of jobs for people that we are trying to help?

Secretary DOLE. Right.

Mr. BARTLETT. I yield back to——

Chairman HAWKINS. Mr. Kildee keeps disappearing. I jumped over him once or twice. Is he available? If not, Mr. Payne, you're recognized.

Mr. PAYNE. Thank you very much, Mr. Chairman. I would just like to also say that it's a pleasure to meet the secretary. I have a problem also, I think, as has been indicated with the subminimum wage.

I saw abuses in the OCEDA [phonetic] program where there were training components and where firms would hire large numbers of people for the 16, 20, 30 weeks and then terminate them and bring in another group when the contract expired.

I see there are some limitations in your legislation, but I would just hope that they would be monitored. As I said, I'm just basically opposed to a subminimum wage. I hear but get confused many times by two things, one, we probably have an accurate way to compute the number of people working.

But I have some very, very serious problems with the manner in which the so-called unemployment rate is determined. I've seen numbers here of 15 percent of our youth who are unemployed, that's three times the national unemployment rate. In minority communities, it's double that of 30 percent.

Those numbers are inaccurate. The unemployment rate is not a true reflection of the number of people who are actually seeking

work and do not have jobs. As you probably know, the unemployment rate only deals with those people whose benefits have not expired.

In my community, we have large numbers of people whose benefits have totally expired. They've been unemployed for longer than what the unemployment benefits will cover even with an extension. Therefore, they are not counted anymore. They're not considered in the unemployment rate.

So, the unemployment rate is not a true reflection. Perhaps the numbers of people employed is a correct number, but the unemployment rate is not. Do you have any comment on that?

Secretary DOLE. Well, you know, in terms of the enforcement and you're asking that we vigorously enforce, yes, we will. Another thing that I think is applicable here, the demographics show us that the work force is going to grow at a much slower pace between now and the next decade, ten or twelve years, at one percent, three quarters of a percent.

As that work force grows more slowly, employers are going to have to really compete for workers. That's why, of course, the skills training is so important that we prepare young people, women, minorities, disadvantaged, disabled who have been at the bottom of the list in terms of employment.

We have the opportunity now to make sure that they all have a job if they have the skills. I think that as employers compete, there will be a real disincentive to say displace an older worker or to do this churning that has been talked about.

There's only a 20 percent differential here that we're talking about with the training wage. When you've got to go advertise and hire in the expense of that, it really diminishes that 20 percent even further.

So, it seems to me that there is going to be a real incentive to get people in the first place. They are going to be competing for employees and to retain them. That in itself is going to work in our favor, so to speak, but then we'll also have these enforcement tools to utilize in addition.

Mr. PAYNE. Just the other point on the way that we are computing the unemployment rate. Do you have any comment on how that could be upgraded or to be made more realistic?

Secretary DOLE. I'm sorry; could you repeat that, please?

Mr. PAYNE. The unemployment rate. As you know, when benefits expire, when a person collects unemployment compensation, that person then is dropped from the statistic of being unemployed because that individual is no longer collecting benefits.

So, the unemployment rate seems not to reflect those that are not working and seeking work, who are indeed unemployed, but those who are in fact receiving unemployment benefits which is a totally different story.

Mr. BARODY. If I may, Mr. Payne, you're absolutely right. The unemployment benefits population is not the determinant of the unemployment rate. The BLS is constantly looking for ways to refine their data gathering, but I think it's generally conceded that they do a highly professional job.

The unemployment rate that they determine on a monthly basis is not keyed to the uninsurance roles but rather to the results they

get from a monthly household survey. So, people who would, in the case you've indicated, have exhausted their unemployment benefits, if surveyed, they would still be listed as unemployed even though they might have exhausted their benefits.

Chairman HAWKINS. Mr. Fawell.

Mr. FAWELL. Thank you, Mr. Chairman. Madam Secretary, I join my colleagues in welcoming you. In following your testimony, I find that I, not surprisingly, agree with just about all that you have said.

I must confess, though, that I am one of those individuals that has some anxiety about Congress fooling around with the minimum wage. As your figures indicate, only 336,000 are really full-time workers on minimum wage and in poverty.

As some have indicated, the minimum wage is gradually withering away. I think maybe it should be allowed to do so. I believe you have indicated that targeting the full-time worker who should be earning minimum wage should be our most important emphasis.

I think that we're not targeting those people in need, as Congressman Petri has pointed out. There are better ways of doing that than increasing the minimum wage. Assuming that some increase is going to help the working poor, which I question very much, I would ask these two questions:

First, from the review that I have done, I see that the last time we phased in an increase in the minimum wage, between the years '78 and '81, there was quite a jump in inflation from 7 percent to 12 percent. The prime interest rate went from 8 percent to over 20 percent.

Of course, right now a lot of us are filled with anxiety as we look at the inflation potential in our economy. A number of economists seem to indicate that inflation is ready to jump upwards. I would like to have your reaction to that, given the Bill we have before us.

Would you also comment on the ripple effect on wages. I understand that many union contracts have automatic escalators tied to the minimum wage. This too could be inflationary.

Inflation we know leads to high interest rates. High interest rates supposedly lead to a recession. So I'm concerned about these effects. Specifically I ask if Congress should be messing around with this touchy situation at this particular time.

Secretary DOLE. Well, I think that that is certainly—the fact that we are going with a modest increase should be reassuring in that respect. I'll ask Mike if you want to comment on the labor contract's aspect of this.

Mr. BAROODY. I have little to add really. I think the Secretary has said in identifying that as one of the prime reasons plus the job preservation reason, that the President has said only a modest increase is the most he could accept.

There is that concern out there that as has happened in the past, that an increase might affect not only people at the entry level of wages but also, as you referred to, the ripple effect could conceivably and would likely to some degree or another have an effect at wage levels above the minimum and above that range to which we would raise it.

It is a question, finally, of prudent judgment as to how much is an acceptable amount and how far you are willing to go and where

you draw the line in terms of that concern about inflation. One cannot deny that the impact is there.

Secretary DOLE. There is some impact which the earned income tax credit would not have. Let me just say in terms of your comment on the minimum wage earners decreasing, that's absolutely right.

There are half as many people at the minimum wage now, earning minimum wage, as there were in 1981. Just this last year when 3.7 million new jobs were created in 1988, there was a decrease of 800,000 minimum wage jobs. So, it is coming down; that's right.

Mr. FAWELL. I might add that some of us on this committee have asked CBO to give us estimates on the inflationary effect of a minimum wage increase and also the effect upon interest rates. So, I look forward to seeing their assessment. Thank you for your testimony.

Secretary DOLE. Thank you.

Chairman HAWKINS. Mr. Martinez?

Mr. MARTINEZ. Thank you, Mr. Chairman. Did you think I was looking for recognition?

Chairman HAWKINS. Well, you were next to be recognized whether you were looking for it or not; you have the right.

Mr. MARTINEZ. Well, if I——

Chairman HAWKINS. You may pass if you wish.

Mr. MARTINEZ. Mr. Chairman, if I believe that it would do any good in converting some of the unconverted to the idea that it's about time to raise the minimum wage, I would ask some questions of Ms. Dole. I respect her position.

I also understand that it's from a very sincere standpoint the argument is made that somehow this would impact dramatically on those minimum wage jobs and we would find the people that are really benefitting from them, usually the low income people, would be deprived of that great opportunity to work for minimum wage.

I don't know how it gets to be a great opportunity to work for the minimum wage. I remember when President Reagan, our dear former President, said in the House of Representatives in one of his State of the Union messages we've got to give every person in this country who is willing and able to work an opportunity to work for two very good reasons. He didn't say it exactly like this; I'm paraphrasing.

He said so that they should have the opportunity to work so that they can have pride in themselves and, more importantly, confidence in their future. Well, I don't know how anybody could have pride in themselves when he works for minimum wage. Minimum wage is a very basic, below poverty existence that creates no pride in anyone.

I think that we have to come to the reality that while there might be some impact initially, eventually, like water levels itself, the work force will level itself.

Those jobs that are raised up to substantial—I shouldn't say substantially, but to somewhat of greater degree than they are now, where a person might feel a little more pride because he takes home a little more money and he can provide for his family a few more of the amenities of life—and really they work for necessities not amenities. Many of us work for amenities not necessity.

That's beside the point. I think that if you realize that in order to raise a lot of standards—not just those of the minimum wage worker and the poverty level individual, but everyone—that it will do some good to raise the minimum wage.

That's my position and I know it differs greatly with that of the administration. I think that we're about to do what needs to be done. If we do it responsibly and if they and the administration don't support it, and if the other side doesn't support it, well, then, let that be on their hands and not ours. Thank you, Mr. Chairman.

Secretary DOLE. Mr. Congressman, may I just say that I'm concerned as you are. What I am most concerned about is if we raise the minimum wage to an excessive amount or even a modest amount without the training wage, we deprive individuals of the opportunity to work at any wage. That's what I'm concerned about.

I don't think anyone should have to work at the minimum wage and support a family of three or four or whatever or two people, but this is the wrong tool to use if we want to lift them out of poverty. That's my concern.

We are not going to be able to lift them out at $4.65. We are going to be impacting a lot of young, single, part-time workers living at home whose primary purpose is school, not work, and who are not in poverty.

So, it's just a blunt instrument for achieving the very worthy goal of lifting families our of poverty. I just have to repeat again what the New York Times said because it just made the point so clearly.

They said raising the minimum wage risks pricing four people out of a job market. It should not surpass our ingenuity to help some of them without hurting others. I truly believe that that is the problem when we go high, an excessively high rate on the minimum wage.

This chart would indicate that that small group in the middle that are helped, the 336,000 working poor families, with the head of household earning the minimum wage, twice as many people stand to have no job at all as a result of helping that group.

They're the same people that we are concerned about that are in the lowest income level and who need help with training.

Mr. MARTINEZ. Ms. Dole, let me respond to that because you bring up a very valid point. Any increase in minimum wage should be accompanied by those efforts that we make to increase training for people so that they can have jobs that do pay above the minimum wage and hopefully lead towards jobs that pay a substantial amount above minimum wage.

The only problem with it is that I find most of the people that are supporting this training wage are people in restaurant work and hotel work where they really want to have a revolving door to keep people in a minimum wage forever.

If you show me in the President's proposal a substantial training job that is going to teach a person basic skills and train them for some kind of a job that has upward mobility, I'll put in with you.

The problem that I see, even in the programs that we already have in place, is that when we do the studies to determine how effective they are—I go back to the training portion of the Job Train-

ing Partnership Act—we find that the people are not obtaining long term employment or upward mobility.

That should be the goal. I think it comes back to more than providing for industries like the restaurateurs and the hotel chains because you don't really need training to make a bed or to clean a bathroom or to sweep a floor.

Almost any individual is inherently able to do that. So, if you're talking about training, I want to see training that is going to be meritorious, something that provides for that person to have dignity in his job, pride in himself and confidence in his future.

Secretary DOLE. May I just quickly respond? First of all, as far as the training wage is concerned, it is important in terms of offsetting loss job opportunities. Secondly, there are many jobs where basic skills are needed for that job and then there are intrinsic skills that are so important in terms of enabling young people, and we're talking primarily about youth here, to develop the good solid work habits that will enable them then to move quickly out of minimum wage and up the wage scale.

Most people, are not stuck at minimum wage. Everything shows them moving on up. So, I think the intrinsic skills are very, very important. today we received the report of the Advisory Committee on the Job Training Partnership Act.

I will be coming to you very shortly, in fact within a matter of days. We will have recommendations about how to make some changes to make that good program even much better. So, I'll look forward to working with you on that.

To build programmatic training into this minimum wage provision, into the training wage, I just cannot see that at all for this reason. First of all, an employer will have to provide time for workers to take off from the job to undertake the training.

Then he's got to set up a program. What is it going to be? Is it going to be literacy training? Is it going to be reading, writing? It's so unrealistic that they would ever create these jobs with that sort of financial burden that would be involved.

I just don't think this is the right tool for providing training. I'm all for it, programmatic training, but let's do it through the Job Training Partnership Act and the jobs corps and the summer youth program and other kinds of things that I'll be talking to you about in a few days.

Let's don't try to do that through this particular endeavor. I think there are other kinds of skills training, though, on-the-job training that young people most definitely need and that is crucial to move up the wage ladder.

Mr. MARTINEZ. Thank you, Madam Secretary. My time has run out. I noticed the Chairman is banging the gavel. Let me say I look forward to working with you along with the Chairman in those improvements in Job Training Partnership Act.

I just believe that we ought to raise the dignity of people. Increase their minimum wage so that we can increase their expectations and eventually lead to that upward mobility that you talk about. Thank you.

Chairman HAWKINS. Mr. Grandy?

Mr. GRANDY. Thank you, Mr. Chairman. I risk demonstrating my tenacious grasp of the obvious. Thank you—and I think I'm the

first one on the committee to say that—thank you for raising the minimum wage.

To me, that indicates that the President is among the converted. He may not convert to the extent that other members of this committee would like, but I think that what we are looking at now is an opportunity which we can share or can compete in.

I hope it is not lost on this congress and on this country that this is a clear change of policy from the previous administration and an idea whose time has come but needs to be measured and monitored in its implementation.

I am surprised because I sit so far down at the end of this panel that no one has bothered to say thank you for showing some leadership and some conversion on this matter.

Let me address something that is not talked about much when we talk about your plan and that is the small business exemption. This is enormously important to people from constituencies like mine, rural constituencies, really more important than the training wage when you get down to it.

It is those businesses that have been so severely impaired by the fragile farm economy on Main Street that are now beginning to recover, beginning to expand, and are beginning to look into the maw of some very severe restrictions and regulations from this committee and congress in general as regards labor legislation.

I would have preferred a much larger small business exemption, but in the spirit of compromise I think that what you have proposed here, half a million dollars, is adequate.

Secretary DOLE. Excuse me. It does apply to all small businesses.

Mr. GRANDY. Yes, and I wanted to thank you again for expanding that definition and cleaning it up, so to speak. I wish I could tell you this would benefit the state of Iowa, but the legislature in its own infinite wisdom, has decided to roll back their own small business exemption.

As a matter of fact, yesterday they passed a $4.65 minimum wage.

I do want to ask you one quick question about the training wage because I am not sure I understand it does increase over the years, the out years of the Bill, is the training wage constant at $3.35 during the course of the minimum wage increases or does it grow proportionately every year as the wage goes up?

Secretary DOLE. In the third year, it is $3.40. It's equivalent. We have considered that to be equivalent and not to have any substantial economic impact. That basically provides an 80 percent of the minimum wage.

Mr. GRANDY. Okay. That was my question. So, when the minimum wage is $4.25 in 1992, assuming the President's provision passes, the training wage is still $3.40.

Secretary DOLE. That's right.

Mr. GRANDY. Did you, when you were preparing your proposal, give any thought to allowing the training wage to grow proportionately too or does that displace too many jobs?

Secretary DOLE. I'm sorry, I didn't hear you.

Mr. GRANDY. My point would be, how many jobs do you lose if the minimum wage goes to $4.25 and the training wage, for want of

a better figure, goes to the previous year's minimum wage? I guess it would be $4.10 or $3.90 or something like that.

In other words, are you running the risk of creating too large a differential between the training wage and the minimum wage with this proposal right here? Does that displace too many jobs if you don't let the training wage grow along with the minimum wage?

Mr. BARODY. Mr. Grandy, if I may, we have not run estimates along the lines you suggest, but we did not consider it precisely because we set out to preserve the maximum number of jobs with the training wage.

Maintaining the training wage essentially at the current minimum, whether you express it as $3.35 or 80 percent of the new hire minimum, would maximize the jobs saved. We have not looked with analytical precision at the impact of what you're suggesting, but I would venture to guess that it would pretty close to wipe out well over half of the offset. I think the adverse impact would be greater than 50 percent.

Mr. GRANDY. Is it your intent to keep, assuming we have a minimum wage after 1992 and we revisit this problem again, it would not be your intent, I assume, to keep a static training wage consistently.

Mr. BARODY. If it were expressed in the 80 percent terms, then it would have the automatic effect of revising the training wage level at any time that the minimum itself were revisited.

Mr. GRANDY. At this point, you are content that 80 percent of the minimum wage should be the training wage?

Mr. BARODY. Yes.

Mr. GRANDY. Okay. Thank you, Madam Secretary. I appreciate your efforts on this matter. Mr. Chairman, thank you.

Chairman HAWKINS. Mr. Owens?

Mr. OWENS. Mr. Chairman, I just have a brief comment to make. Madam Secretary, I wanted to state that the *New York Times* notwithstanding, I assure you that not a single employer in America, non-profit or profit, is using its work force as a way to make a contribution to charity.

They are not making a contribution to charity by maintaining people on the staff or on their payroll who are not needed. They are already only employing exactly the people they need. In many cases, they are employing few people than they need and squeezing those workers that they have for all that they can get out of them.

The last eight years certainly encouraged them to do more of that. So, I don't think your argument that employers will employ fewer people as a result of the minimum wage being raised holds any water.

They are going to employ only what they need or less anyhow, and they have already reached that point. The training wage, on the other hand, is a government subsidy for the revolving door of young people who are hired, held as long as they can without paying them any fringe benefits or promoting them or upgrading them in any way and then kicked out of the revolving door for the next batch to come in.

That would just be a subsidy for a situation now which already does great damage, I think, to our labor force.

Secretary DOLE. I think the point I would make is that as the minimum wage goes up, as labor costs go up, labor utilization goes down. We have many, many economic studies across the spectrum that indicate that.

That leads employers—and I think most any small businessman or woman would tell us this, that when the costs go up, they have to then consider automation or putting some people on part time or not filling jobs they had intended to fill or not creating jobs they had intended to create.

That's the dynamics of it that produces lost job opportunities. We are very much concerned about the young people who would lose opportunities for any wage at all. So, this is certainly—I think we are all concerned about how we help those who are disadvantaged.

Again, I would just say it seems to me this is a very blunt instrument for reaching that goal if we are trying to lift people out of poverty. There are better more direct ways to do it without benefitting——

Mr. OWENS. I've heard you say that several times, yet all the programs of the Department of Labor reach such a minuscule number of people until they really have no important impact on the people out there you are trying to reach.

Your programs are too small. They are administered in a punitive way. They don't reach the people, even the numbers that you are geared up to reach. So, I would say that the best way to help the disadvantaged is to provide a wage for a working person to take home to be able to live on.

You don't help the situation at all. Employers in the last eight years have automated as much as they can. They have squeezed the workers as much as they can. They are not going to lay off anybody because they can't afford to. They must have those people, the few that they have working now.

Certainly the training wage at McDonald's and Burger King's and so on, they have automated as much as they can. They are not going to lay anybody off either. They'd welcome your training wage so that they would be able to have a revolving door which keeps them supplied with an inexpensive work force.

Secretary DOLE. We just very much disagree on this. I think we have to look at who it is we are trying to help. Truly, if it's the working age poor, this is not achieving that goal.

That tiny little sliver, once again I point to, is always the working age poor that we are going to be able to help with this initiative. Most of the help is going to go to the teenagers living at home who are part time, living at home, single and who are not in poverty.

Mr. OWENS. We have statistics and studies which refute that. I don't think this is the place to prolong that discussion. Thank you very much.

Chairman HAWKINS. Mr. Henry?

Mr. HENRY. Mr. Chairman, I would just simply like to apologize to you and the witness for being late. My plane was fogged in.

Chairman HAWKINS. Apologize to Mr. Ballenger because——

Mr. HENRY. I also apologize to Mr. Ballenger. Madam Secretary, I am very sympathetic to the point that you are making. If wages and the cost of labor increase precipitously, you are going to have a

corresponding decrease in labor utilization or have to find some other offsets.

The Chairman is aware that one of my concerns is the danger that this Congress might not take into consideration the cumulative effect of minimum wage legislation and other mandated benefits proposals before the Congress, such as in the health area or in the leave area.

I tend to think that if we are going to tinker, my personal preference is to tinker, as it were, in the minimum wage area above the others because at least it protects the choice of the employee as to how he or she distributes what he or she has earned in the work place as opposed to having those distributions chosen for him or her.

I am wondering if you would make one little intellectual distinction for me—maybe you wouldn't want to, but I'd be curious—is there not a distinction to be made between minimum wage legislation which seeks to respect what, in effect, is the "true price" of labor in our society and thereby to give it protection under law to protect those who are not in a position to effectively protect their rights on the labor market, as opposed to using legislation to drive up wages which would truly then have an inflationary impact in society?

I am wondering if that's not in part what you're alternative proposal is trying to do for us? Am I making sense or am I getting too obtuse? Let me just say, I think there is a qualitative difference between recognizing those two things.

Secretary DOLE. Right.

Mr. HENRY. I think to protect many of the workers, it is right for the law to recognize that the minimum wage, functionally, is no longer $3.35 an hour. I am afraid of going beyond such recognitions to the point that through force of law I am setting the minimum wage rather than respecting it as a protection to the most vulnerable workers in our society. That is simply the distinction I would want to make in this debate.

Secretary DOLE. Right, we'll agree with that.

Mr. HENRY. Thank you, Mr. Chairman.

Chairman HAWKINS. Mr. Hayes?

Mr. HAYES. Mr. Chairman, it's very obvious I even think $4.65 is too low. If that's the best we can do—I'm in a rather unique position having been one who worked for the minimum wage when it was first instituted as a young person under the Roosevelt administration.

The argument has been very consistent against it. It has not changed hardly one iota that once you put a minimum wage in effect and you increase it, you are going to throw people who need work out of work.

The track record has not proven that to be true. I don't think it will in this instance either. To me, if we really want to combat poverty, then we have got to do something about it.

I'm vividly opposed to a training wage because I think it's going to be abused, misused. Some of my colleagues on the subcommittee talked about a six month training wage. Everyone knows that if you have that kind of training wage, it's going to be constant turn-

over on people working six months and in 180 days, 179 days, they get laid off and you hire new crews at the same rate.

Employers will take advantage of it, so I'm just opposed to it. There's no need to continue to talk about it. I want to get to the point where we vote.

Secretary DOLE. Well, I just stress again that only one percent of the working age poor are at minimum wage. It's only a small overlap between those who are the family head, working in poverty and on minimum wage.

Mr. HAYES. There's an awful lot of them, though, in between that minimum wage and that poverty line, as you and I both know. I represent a district that happens to be one of the poorest districts in the USA when it comes to income.

It has not solved the problem of unemployment in my district. Among our youth, there is still 20, almost 50 percent unemployed, particularly among our black youth. I would like to be able to do something about it.

Secretary DOLE. Yes, I want to do something about it too. I'm putting all sorts of time and energy into exactly that goal. I would like to do it efficiently and effectively in the most focused way that I can.

In the last seven years with the minimum wage held constant, the number of teenage black males in the work force increased by 70 percent. Last year, the overall rate of summer employment for all youths set a record.

So, we'll just work hard to try to improve it. I think the way to do it is through the skills and the literacy training and providing opportunities when most of this goes to the teenagers living at home.

Mr. HAYES. I'm not, by any means, opposed to this literacy training program or anything of that sort. I think there's a big gap between training and placement. This is where I am, I think. We have got to place them in a position where they can earn a decent living.

Chairman HAWKINS. Mr. Ballenger.

Mr. BALLENGER. Thank you, Mr. Chairman. As one North Carolinian to another, it's a pleasure to have you with us, Ms. Secretary. Also, Mr. Hayes, I would like to say that you're not the oldest fellow around here.

I worked at the minimum wage several times, once before I got through college and once when I got out of college, I earned 35 cents to 65 cents an hour. I would like to say I was very proud at that time.

Mr. BARODY. You're doing the same right now.

Mr. BALLENGER. I have one question, philosophically, that I'd like to bring up and it's a point that I have made over and over again. There were a fairly large group of us that philosophically don't believe that the minimum wage at $3.35 an hour is that important. I tend to agree with most of the fellows here, that the minimum wage doesn't apply anymore.

When the wage was first set back in the 30s, we were competing with each other. My hometown in North Carolina had 140 hoosier mills in it and when you raised the minimum wage, everybody's wages went up with your competition and so forth.

As time has gone by, though, we no longer compete with each other; we compete with Taiwan and Korean and Hong Kong. When you raise the minimum wage and there is a ripple effect—I don't care whether anybody believes that or not; having been a manufacturer, it's true—when you raise the minimum wage, you not only cut down on jobs in this country, but you create jobs in the border, in Mexico, in Hong Kong, Korea and so forth.

I think too few people recognize that fact. I would like to say as one of the ones that originally opposed any raising of minimum wage, that I think the President and you have come up with an excellent program here, a compromise that we could not reach in the last session of Congress.

Last year, a majority were unwilling to go to $4.00. I think the fact that the President and you have come up with a compromise of $4.25 is pretty good, although—like I say, I'll support it in here, but I might not when it gets to the floor.

I would like to ask one question. Your opinion is if H.R. 2 were changed to $4.26 or $4.25 over two years, in your opinion, do you think the President would veto it?

Secretary DOLE. Congressman Ballenger, he has said, and he means it, this is as far as he can go. He will support up to $4.25 and not a penny further. That's as far as he can go. He feels this is the responsible way to go about it because of the lost job opportunities, he's going to hold firm there.

If we go up higher, it would be an excessive amount. If we have a modest increase, as $4.25 would represent without the training wage, it can cause so many lost job opportunities that he's very firm that that is as far as he can go.

Mr. BALLENGER. Thank you.

Chairman HAWKINS. Mrs. Lowey?

Mrs. LOWEY. Thank you, Mr. Chairman. It's a pleasure to welcome you, Madam Secretary, as a mother of a Duke graduate. I'm delighted to see you here today. I have a question concerning the training wage.

Having worked in New York State with CETA and the JTPA programs for many, many years, I'm concerned that you're talking about a training wage without any real requirement for training. I know we're going to work with you on developing changes in JTPA.

I've seen too often training programs at low wages, where the youngsters are then thrust into the working world without any skills and without any jobs. We have had some programs which were very successful, whereby we trained florist assistants or we trained plasterers for all those wonderful brownstones in Brooklyn.

We did that because we knew that there were specific jobs out there. So, I'm concerned that we are going to use that training wage just to pay youngsters a subminimum wage. This will give them further disillusionment, and they will enter the work world without any skills.

I wonder if you can comment on the requirement of training that would go along with this training wage.

Secretary DOLE. Right. Very definitely we want to provide the training, the skills, the remedial education. I think it takes a great deal in some cases in terms of counselling, mentoring, really indi-

vidually looking at what the needs of this particular young person are and how they can best be addressed.

These are the kinds of things that I look forward to talking to you about as we try to focus our programs and raise our performance standards and make some changes that will be helpful.

I think the way we should go about that sort of training is through the Jobs Training Partnership Act, the summer jobs program, possibly changing that so there could be an option to make it year round rather than just the summer job at the option of the state, making some changes with regard to job corps, more residential slots for those who can't travel to a job corps center who have children, women perhaps.

So, there are changes that need to be made. We need to talk about that. I don't think the minimum wage, this area of training wage, is the right place for programmatic training because to ask an employer at minimum wage—first of all, he's got to go to the expense of letting the employees have the time off for the training.

Then he's got to go to the expense to set up the training programs, whatever it's going to be, reading, writing, I don't know, but those kinds of things will have to be set up. I don't think it's realistic to feel that he's going to create these job opportunities if it has that kind of burden and expense attached to it.

I don't think it's the right place to do that kind of training. What is important is on-the-job training, the experience of not only what you learn in that job as far as the kinds of skills to do that job, but the intrinsic skills.

I really believe this strongly. From my own experience, my first job which I talked about earlier, there's an importance of learning discipline and learning to follow through on details, to pay attention to details, how to work effectively with others in the work force, how to work with customers, taking supervision, knowing that you've got to be at that job every day, not when you choose to be, that you've got to be there at a certain hour.

Those are important intrinsic skills that benefit a young person the rest of their life. That can take quite a bit of time to solidly lock in those kinds of good work habits. I think that kind of on-the-job training is very important.

That warrants taking a little bit of a lesser salary in order to learn those skills on the job. That's been the traditional way that we are willing to take a little less to learn on the job rather than before you begin the job.

I think, too, the training wage is crucial from the standpoint of preserving job losses. We are not repealing the market. If a young person or any person who's in that training wage learns the skills quickly, then certainly after a month, two months, or whatever, they can be moved on up to a higher wage. So, it doesn't repeal the market.

Mrs. LOWEY. Well, let me say thank you and I look forward to working with you on JTPA. However, I must respectfully disagree because my experience in the last 13 years is that unless there is built in some kind of training requirement—and that may mean instruction on fundamental work habits, how to fill out a resume, and how to perform specific tasks—unless this is built in into the

program, I am concerned that the training wage would be used just to pay less.

I think that our work force is in such dire straits right now that I think the corporate sector realizes that they have to work hard with the public sector in order to train our youngsters for real jobs so that they can be literate and productive and be part of the work force.

Secretary DOLE. Well, I think the kinds of skills that you just mentioned are included and would most definitely be a part of our training wage, the kinds of skills that you would learn.

To go into reading and writing and arithmetic and the kinds of programmatic training skills, that is where I just see it would be a total disincentive to create the jobs at all. You have to provide time off.

You've got to set up those kinds of jobs. It seems unrealistic to me to see it happen through the minimum wage proposal.

Mrs. LOWEY. Let me just say that I think perhaps we can talk about this at greater length another time.

Secretary DOLE. I think we are closer than you might think in the way we're viewing this, really, because the programmatic training seems to me to go a lot further in terms of the specific programs than what you and I have been talking about, the intrinsic skills.

Mrs. LOWEY. Thank you.

Chairman HAWKINS. Madam Secretary, apropos of the question when can we expect the administration's proposal to be introduced so that we can be talking about specifics and not theory?

Secretary DOLE. It would be today.

Chairman HAWKINS. Today?

Secretary DOLE. Yes, sir.

Chairman HAWKINS. Mr. Smith?

Mr. SMITH. Thank you, Mr. Chairman. Madam Secretary, I would simply like to associate myself first with Congresswoman Roukema's comments about concern with the new hire provision. Secondly, I would like to reiterate what Congressman Petri said about the living wage, but perhaps take it one step further. I'm not sure a response is required, but if you think there is one, feel free to offer one in a second.

I come from Vermont, home of 1.9 percent unemployment. So, we are in an extraordinary situation up there, but there's still plenty of poverty, too much, the rural variety but it does not make it any less damaging or hurtful.

I am concerned with the choices that we have here because as you have said, the minimum wage is a blunt instrument when you deal with the issue of poverty. I would argue that to extend that as accurate—and I would say in many regards it is—that we then have the choice between a sledge hammer and a ball pane hammer.

In fact, we are not going to get at the issue or restructure the argument or the discussion around poverty and households, families that live below the poverty level in this country.

I understand the issue of the fast track of this particular legislation. I understands the issue of costs associated with the living wage proposal. I understand that it's a new idea, but I have to tell

you that if, in fact, it is as good an idea as some of us believe and if, in fact, when we talk about really getting at the people in that red circle and then the people out in the blue circle who are, in fact, in families below the poverty level, then I, for one, need to see and feel some commitment from the adminstration about this idea.

I'm with you today, and I do that because I think what you have is the front end of a good package. The back end of that package, for me, includes the Living Wage Bill. I hope that we will be able to have some substantive conversations about it as we go along. Thank you.

Chairman HAWKINS. Mr. Jontz?

Mr. JONTZ. Thank you, Mr. Chairman. Madam Secretary, it's a pleasure to meet you, and I appreciate your testimony. I'd like to focus for a couple minutes on the 60 percent in the yellow circle between the ages of 16 and 24, the young person you're talking about who's at home, isn't living in poverty.

Some of those young people may have a college education, but for the most part they don't. I'm sure you would agree that many of them are either working on an education or should be thinking about an education. Is that correct?

Secretary DOLE. Well, I think that many of them would list school as their primary undertaking and work as a secondary.

Mr. JONTZ. Sure, and those that don't probably should be thinking about it if they are going to get the sort of skills and education they need to get a decent job.

Wouldn't you think that most of those students or individuals who should be students have to work to pay for the cost of their education?

Secretary DOLE. Well, I think that the profile that I have of the typical minimum wage earner is a person who is still living at home and who's not in poverty.

Mr. JONTZ. But they do have to work in order to pay the cost of tuition, whether it's in a trade school or a state university or whatever. Working is a requirement for them to have the funds to afford their post-secondary education; would you not say that?

I mean, the proportion of students who enter college today who have a Pell grant is half what it was in 1980 and work is a virtual necessity in order to afford a higher education.

Secretary DOLE. Well, I would say undoubtedly that's the case for many of them, but we really don't have information that confirms what the motivation is for the people that are in the profile.

Mr. JONTZ. Well, the point I want to make is that the cost of higher education basically has doubled since the last minimum wage increase was enacted. The proportion of students entering college with the Pell grant or even on work study is about half of what the proportion was eight years ago.

My question is, what are we really doing for these young people who have to go out and work to be able to afford college, particularly the many middle income families that are having a lot of trouble affording the cost of higher education for their children?

What are we really doing for them when the cost of higher education doubles but the minimum wage stays at a lower level?

Secretary DOLE. Well, the minimum wage under our proposal would go up. It would go up more than halfway to the level that

the Chairman has proposed. I think clearly, once again, most people who are on minimum wage quickly move out of that category.

In other words, most are not stuck there so we can expect that they will continue to move on up the wage ladder, getting the kinds of skills they can acquire through the training program that we've suggested or the training wage.

Getting the intrinsic skills and the experience working at that particular job, I think, prepares them then to move on up the wage scale.

Mr. JONTZ. Well, we hope that's the case. Quite honestly, that young person who's trying to afford the cost of a college education, it's not showing up for work, that kind of training, that's going to do them any good.

It's cash in their pocket which will do them some good because the cost of higher education is going up so quickly. The gap between what they can earn and what they have to pay for an education is getting greater and greater even with your——

Secretary DOLE. I don't believe the minimum wage increase is the way to solve that. We are going toward—I think we've increased it, certainly, to $4.25 over three years.

Mr. JONTZ. I'm not suggesting that an increase of the minimum wage is the only way to solve it, but if we could increase the ability of these young people to earn the funds to help them pay the cost of education, that would help.

Secretary DOLE. I think they can do that through the kinds of skills that they will acquire on the job.

Mr. JONTZ. I guess what I find objectionable is the idea that somehow these young people living at home, trying to go to school, don't need the same wage that other people need. I think, in fact, quite the contrary is true; that they have a special need for a decent wage because they are trying to earn their way to higher standard of living through paying for the cost of their education.

With the problems we have with the cost of higher education today and the lack of other alternatives and the increasing indebtedness that many students have to assume in order to get an education, I would think that everything we could use as a minimum wage for these young people who are trying to earn their way to their future would be a good thing.

I ask you to consider that in further discussion of the administration's policy. Thank you.

Chairman HAWKINS. The Chair has an assurance to Ms. Dole that she was supposed to leave at 11:00. We have one remaining individual on this side. I think we exhausted all on that side.

Mr. Mfume, do you care to address a question?

Mr. MFUME. Thank you, Mr. Chairman.

Chairman HAWKINS. This will be the final question.

Mr. MFUME. I apologize for arriving late, but the committee on banking is also meeting at this time. I was required to be there.

I don't want to keep the secretary beyond the time that she has to be here except to say that I appreciate your visit. I look forward to some sort of cooperative arrangement with this committee and those of us who have concerns, obviously many of the concerns that you share.

I'm going to avail myself to your written testimony and probably would be submitting in writing questions that I'd like to have answered that may or may not have been addressed earlier this morning.

Mr. Chairman, with that, I would yield back the balance of my time.

Chairman HAWKINS. Thank you. Any of the members who have questions still remaining, including the Chair who has several, will submit them in writing, Madam Secretary. I hope you can respond expeditiously to those questions.

Secretary DOLE. I certainly will.

Chairman HAWKINS. Again, we thank you for your appearance. You indicated that you will be back. That we look forward to. We appreciate your testimony this morning and look forward to working with you.

Secretary DOLE. Thank you.

Chairman HAWKINS. This part of the hearing this morning is concluded. May I remind the members that we have a heavy agenda ahead, so don't leave when the secretary leaves.

Secretary DOLE. Thank you very much, Mr. Chairman. I appreciate this opportunity.

Chairman HAWKINS. Thank you.

[Whereupon, at 11:12 a.m., the committee hearing was concluded.]

[Additional material submitted for the record follows.]

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March 13, 1989

The Honorable Augustus F. Hawkins
United States House of Representatives
Chairman
House Committee on Education and Labor
2181 Rayburn Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

I am writing on behalf of the Coalition of Automotive Associations (CAA) concerning the proposed increase of the Federal minimum wage. We submit this letter as written testimony to be included as part of the record of the hearing which is to be held by your Committee on March 14, 1989 regarding H.R. 2.

CAA is a trade association comprised of over 2,100 small businesses which manufacture and distribute aftermarket parts and accessories for automobiles. CAA opposes any mandated increase in the Federal minimum wage. It sees the result of this proposal as an increase in the cost of products produced by its members and fewer jobs in the aftermarket industry.

The proposed increase in the minimum wage of 40% over the next three years, and further increases tied to the average wage in private industry, can only be absorbed in one of two ways. First, CAA members will have to pass the increased costs on to the consumer. This result will initiate a repetition of the spiraling inflation that was experienced in the 1970s.

The members of CAA will not be able to pass the entire cost of an increased minimum wage on to the consumer. If they tried, the demand for automotive parts and accessories would drop dramatically. Because CAA members will want to maintain demand at current levels, they will be forced to absorb this cost increase in another fashion: by reducing the number of employees.

If the labor cost per employee is forced up by this minimum wage proposal, employers will be forced to reduce their aggregate labor cost by hiring fewer employees. The objectives of reducing the number of United States citizens living below the level of poverty will be unilaterally negated by increased unemployment.

CAA believes the proposed increase in the Federal minimum wage will not achieve the purposes suggested by its sponsors. The result of this proposal will be higher inflation and unemployment. CAA believes the goals of the sponsors would be reached by focusing on education and job training services. Greater job opportunities and higher wages are available to a work force that is trained to meet the needs of a highly technological society.

Although CAA respects the goals of the sponsors, it asks the Committee to reject the idea that an increase in the Federal minimum wage will meet those goals. It asks the Committee to find other solutions to the problems, such as education and job training. I appreciate the opportunity to comment and will provide the Committee with any additional information it needs to address this subject.

Sincerely,

JOHN RUSSELL DEANE III

98-021 (56)